

FISCAL NOTE

HB 76 – SB 364

February 16, 2007

SUMMARY OF BILL: Changes the definition of “business” as it applies to sales and use tax law and temporary and occasional sales periods. Removes language from the current definition of “business” that specifically authorizes sales and use tax exemptions for items sold by volunteer fire departments during temporary sales periods. Adds new language to the definition of “business” that authorizes sales and use tax exemptions for items sold by nonprofit organizations and public schools during four (4) temporary or occasional sales periods per year.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds \$264,000

Decrease Local Govt. Revenues – Exceeds \$85,000

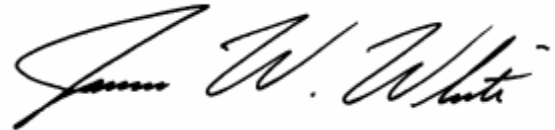
Assumptions:

- There are 3,351 charitable organizations in Tennessee (Tennessee 2005-2006 Fact Book).
- Charitable organizations and non-profit organizations are synonymous.
- Volunteer fire departments remain eligible as a non-profit organization.
- 1,686 public schools in Tennessee (Tennessee 2005-2006 Fact Book).
- Total number of entities affected is estimated to be 5,037 (3,351 charitable organizations + 1,686 public schools = 5,037 total).
- 25% of entities (or 1,259) are estimated to conduct no fundraising events during any calendar year.
- Of the remaining 75% who would conduct annual fundraising events (or 3,778), it is estimated that each would average a minimum 2.5 events per year, given an annual maximum of four.
- Minimum number of annual events is estimated to be 9,445 (3,778 entities X 2.5 annual events = 9,445 total events).
- Average sales are estimated to be \$400 per event.
- Minimum annual sales are estimated to be \$3,778,000 (9,445 minimum number of annual events X \$400 per event = \$3,778,000).
- The current state sales tax rate is 7.00%.

- The decrease to state revenues is estimated to exceed \$264,000 per year (\$3,778,000 minimum sales X 7% state sales tax rate = \$264,460).
- The local option sales tax rate is estimated to average 2.25%.
- The decrease to local government revenues is estimated to exceed \$85,000 per year (\$3,778,000 minimum sales X 2.25% local option sales tax rate = \$85,005).
- According to the Department of Revenue, this bill could conflict with T.C.A. 67-6-102 (34)(H) that subjects property sold to K-12 public or private schools, which is intended for resale during a fundraising event, to be considered taxable property.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director